

Message Text

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SUBJECT: BOOST IN SALES CREDITED TO SALES TAX SUSPENSION

REF: MONTREAL 696

1. FIGURES RELEASED BY FINANCE MINISTER JACQUES PARIZEAU
IN THE COURSE OF AN AUGUST 22 PRESS CONFERENCE INDICATE THAT
THE ONE-YEAR SUSPENSION OF THE 8 PERCENT PROVINCIAL SALES TAX
ON SELECTED QUEBEC MANUFACTURERS HAS RESULTED IN DRAMATIC BOOSTS
IN SALES FOR THESE LONG TROUBLED SECTORS.

2. USING FIGURES COMPILED BY STATISTICS CANADA, PARIZEAU
COMPARED SHIPMENTS IN MAY 1978, THE FIRST MONTH OF THE SALES
TAX SUSPENSION, WITH MAY 1977. IN THAT MONTH FACTORY CLOTHING
SHIPMENTS ROSE BY 22.8 PERCENT, TEXTILES BY 21.9 PERCENT, FUR-
NITURE BY 22.2 PERCENT AND LEATHER GOODS BY AN IMPRESSIVE
40.4 PERCENT. MOREOVER, FIGURES FOR QUEBEC RETAIL SALES IN
JUNE 1978 SHOWED AN INCREASE OF 14.2 PERCENT OVER THE PREVIOUS JUNE
LED BY SALES OF SHOES (PLUS 25 PERCENT), CLOTHING (PLUS 17 PERCENT)
AND FURNITURE (PLUS 20.4 PERCENT).

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3. PARIZEAU CREDITED THIS "REMARKABLE SUCCESS" TO THE GOVERN-
MENT'S DECISION TO CONCENTRATE THE TAX BREAK ON THE FOUR HISTORIC
QUEBEC INDUSTRIES. UNDERSCORING HIS STATEMENT, HE COMPARED FIGURES
FROM ONTARIO (WHICH HAD FOLLOWED OTTAWA'S RECOMMENDATION OF AN
ACROSS-THE-BOARD TAX REDUCTION FOR LESS THAN ONE YEAR) WHICH
SHOWED RETAIL SALES INCREASES FOR MAY OF 10 PERCENT FOR CLOTHING,
6.4 PERCENT FOR SHOES AND 19 PERCENT FOR FURNITURE.

4. ON THE LESS EBULLIENT SIDE, THE RISE IN SALES HAS NOT ENGENDERED A CONCOMITANT INCREASE IN JOBS. SINCE THE SUSPENSION OF THE SALES TAX EMPLOYMENT HAS RISEN JUST 4.4 PERCENT IN TEXTILES, 0.3 PERCENT IN CLOTHING AND 1.9 PERCENT IN FURNITURE, WHILE LEATHER GOODS HAS SUFFERED A DECLINE OF 2.5 PERCENT. PARIZEAU THEORIZED THE FIGURES MAY SIMPLY MEAN THAT EMPLOYEES ARE WORKING LONGER HOURS, POINTING OUT THAT MANY PLANTS WHICH HAD BEEN ON 20-25 HOUR WORK WEEKS ARE NOW WORKING A FULL 40 HOUR SCHEDULE. FURTHERMORE, 1977 HAD BEEN A DISASTROUS YEAR FOR THESE SECTORS WHICH ALONE ACCOUNTED FOR MORE THAN ONE-QUARTER OF THE 29,000 MANUFACTURING JOBS WHICH WERE ELIMINATED IN THE PROVINCE LAST YEAR. THE INFERENCE IS THAT EMPLOYERS ARE GIVING THEIR REMAINING STAFFS AS MUCH WORK AS POSSIBLE TO MAKE UP FOR LOST WAGES.

5. COMMENT: PARIZEAU IS OBVIOUSLY EXULTANT AT THE OPPORTUNITY BOTH TO LAND ANOTHER BLOW ON THE ALREADY WELL PUMMELED CHOPS OF FEDERAL FINANCE MINISTER JEAN CHRETIEN AND TO DEMONSTRATE TO THE VOTERS OF QUEBEC THAT IT IS PARTI QUEBECOIS AND NOT THE TRUDEAUCRATS WHO KNOW WHAT IS BEST FOR THE PROVINCE. IT IS A CONCRETE EXAMPLE OF THE "GOOD GOVERNMENT" THEY PROMISED TO DELIVER. LEFT UNSAID WAS ANY SPECULATION AS TO WHETHER THE UPWARD TREND WOULD CONTINUE OVER THE YEAR (THE MAY RESULTS MIGHT, AFTER ALL, CONTAIN A LARGE ELEMENT OF PENT UP CONSUMER DEMAND) OR WHAT WILL HAPPEN WHEN THE SALES TAX IS REIMPOSED NEXT YEAR. INSTEAD, THE EVER POLITICALLY ASTUTE M. PARIZEAU HAS STRUCK

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AT THE FIRST GLOW OF THE IRON BEFORE THE DOOMSDAYERS COULD EVEN REACH FOR THEIR BELL ROPES.

6. PARIZEAU'S NEXT TASK IS TO DEVISE A WAY TO RECOVER THE DOLS 186 MILLION IN SALES TAX REBATES NOW BEING RETURNED DIRECTLY TO QUEBEC TAXPAYERS BY THE FEDERAL GOVERNMENT. IT IS ALMOST AN EVEN MONEY BET THAT WHATEVER THE MEANS OF EXTRACTION, IT WILL BE POPULARLY KNOWN AS THE "CRETIEN TAX". PARIZEAU IS EXPECTED TO MAKE AN ANNOUNCEMENT ON THIS MATTER WITHIN THE NEXT 10 DAYS.

7. IN AN AMUSING ASIDE TO THE SITUATION, SEVERAL WEEKS AGO LOYALIST QUEBEC TAXPAYERS SPONTANEOUSLY BEGAN TO SEND THEIR INDIVIDUAL DOLS 85 FEDERAL TAX REFUNDS TO DESIST BECAUSE THERE WAS NO MACHINERY EXTANT TO HANDLE VOLUNTARY CONTRIBUTIONS TO THE PROVINCE'S COFFERS. ALMOST IMMEDIATELY, HE WAS COUNTEMMANDED BY JACQUES-YVAN MORING, ACTING PREMIER, WHO INVITED EVERYONE TO FORWARD THEIR REFUNDS TO QUEBEC MORE OR LESS AS AN ACT OF FAITH. NOT LONG AFTER A GOVERNMENT SPOKESMAN CLAIMED THAT ABOUT 10,000 CHECKS HAD ALREADY BEEN RECEIVED. JUST A FEW DAYS AGO PARIZEAU SET THE RECORD STRAIGHT WHEN HE SAID THE ORIGINAL FIGURES WAS SOMEWHAT OVERBLOWN AND THAT THE ACTUAL NUMBER RECEIVED WAS CLOSER TO 2,000. WE FEEL IT IS SAFE TO ASSUME THAT VOLUNTARISM HAS NOW BEEN

RULED OUT AS A MEANS OF RECOUPING THE TAX.
HARPER

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